

**Los Angeles County  
Board of Supervisors**

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December 07, 2010

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**John F. Schunhoff, Ph.D.**  
Interim Director

**Gail V. Anderson, Jr., M.D.**  
Interim Chief Medical Officer

**COMMUNITY HEALTH PLAN PHARMACY BENEFIT MANAGEMENT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

**SUBJECT**

Request approval to extend the Agreement with InformedRX, Inc., a SXC Health Solutions company, for the continued provisions of pharmacy benefit management services.

*To improve health  
through leadership,  
service and education.*

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Interim Director of Health Services (Interim Director), or his designee, to execute Amendment No. 8 to Agreement No. H-207932 (Agreement) with InformedRX, Inc. (IRX), a SXC Health Solutions (SXC) company, substantially similar to Exhibit I, effective upon execution, to extend the Agreement term for the continued provision of Pharmacy Benefit Management (PBM) Services, for the period of January 1, 2011 through December 31, 2011 an annual estimated cost of \$26.4 million.

2. Delegate authority to the Interim Director, or his designee, to execute future Amendments to the Agreement, to: a) exercise options to extend the Agreement term for up to 12 months on a month-to-month basis; b) incorporate provisions consistent with the related funding Agreement, all applicable State laws and regulations, County Ordinance, and Board policy; c) make appropriate changes to the Agreements to improve clarity and/or correct errors and omissions; and, d) adjust rates as appropriate to conform with



industry guidelines and practices that apply to activities described in the Agreement, subject to approval by County Counsel and the Chief Executive Office (CEO), with notification to your Board.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Community Health Plan (CHP) is a full-service Knox-Keene licensed and federally qualified Health Maintenance Organization publicly operated by the County of Los Angeles and administered by the Department of Health Services' (DHS) Office of Managed Care, providing health services at low or no cost through the Medi-Cal Managed Care Program, Healthy Families Program, and Personal Assistance Services Council (PASC) - Service Employees International Union (SEIU) Homecare Worker Health Care Plan.

Approval of the first recommendation will allow for the continued provision of PBM services for all CHP product lines, as the current Agreement with IRX expires on December 31, 2010. By extending the current Agreement, CHP members will continue to receive prescription services during the Request For Proposal (RFP) solicitation process. The PBM Services performed by IRX allow CHP to manage its members' pharmacy needs by providing: 1) patient medications through a network of private and County pharmacies, including promotion of cost-effective medication utilization by offering lower cost generics to members, and savings on brand medications which have higher pharmacoeconomic value; 2) administrative services, CHP pharmacy network maintenance and credentialing, drug utilization review, procurement of patient medications from drug manufacturers and providers at discounted prices, as well as various administrative, financial and drug utilization reports; and 3) claims processing and adjudication for the CHP pharmacy network, and claims monitoring.

As of September 2010 IRX paid 85,934 prescription claims transactions for 188,533 CHP members in Los Angeles County. Due to the significant volume of members, DHS pharmacies lack sufficient resources to provide service to meet all CHP member prescription needs. Although Managed Care in the County may change in the future, CHP is responsible to ensure that the medical needs of our members are met. Pending any resolution from ongoing negotiations with L.A. Care Health Plan, CHP must provide continuity of PBM services.

CHP has begun preparations to conduct an RFP solicitation process to explore the PBM services market for potentially more cost effective solutions. In order to develop an appropriate RFP, DHS has contracted with a PBM consulting firm to develop a Statement of Work along with providing specialized consulting services. It is anticipated that this RFP will be released in February 2011 with full implementation of a new contract by January 1, 2012.

Approval of the second recommendation will enable DHS to extend the term of the Agreement in the event of any unforeseen delays to the RFP process, add and/or amend standard provisions as may be required by your Board, incorporate changes in operational and programmatic requirements, as well as adjust financial consideration without interrupting the provision of services to CHP Members, subject to review and approval by County Counsel and the CEO, with notification to your Board.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 4, Health and Mental Health, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The total County estimated cost is \$26.4 million for the period January 1, 2011 through December 31, 2011. Funding is 100 percent offset by premiums received from the State's Managed Risk Medical Insurance Board for Healthy Families Program, L.A. Care Health Plan for the Medi-Cal Managed Care Program and the PASC-SEIU Homecare Worker Health Care Plan members.

The rates are on file with the Office of Managed Care and are confidential. The payment rates have been shared with each Board Office, the CEO, and County Counsel.

Funding and 100 percent offsetting revenue is included in the DHS Fiscal Year 2010-11 Final Budget and will be requested in future fiscal years.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On November 19, 2002, your Board approved a sole source Agreement with Pharmaceutical Care Network (PCN) for the provision of pharmaceutical benefit management services for CHP and its countywide pharmacy network.

On June 29, 2004, your Board approved Amendment No. 1 to the Agreement for the extension of pharmaceutical benefit management services through June 30, 2007. Subsequently, on June 21, 2005, your Board approved Amendment No. 2 delegating the duties and assigning the rights of the Agreement with PCN to National Medical Health Card Systems, Inc. (NMHCS), as a result of PCN's acquisition by NMHCS.

The Director exercised the authority granted by the Board on June 12, 2007 to execute Amendment No. 4 to the Agreement delegating the duties and assigning the rights of the Agreement with NMHCS to SXC as a result of NMCHS' acquisition by SXC, with a registered name change of NMHC to IRX.

The Agreement includes all Board mandated provisions.

Subsequent amendments have been approved to extend the term of services through December 31, 2010 to modify language, and adjust rates to be consistent with industry standards.

Exhibit I has been approved as to form by County Counsel.

### **CONTRACTING PROCESS**

Not applicable.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will ensure continuity of medically necessary treatment to CHP members.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. Schunhoff". The signature is fluid and cursive, with a large initial "J" and "S".

JOHN F. SCHUNHOFF, Ph.D.  
Interim Director

JFS:rb

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Department of Public Social Services

Contract # H-207932

COMMUNITY HEALTH PLAN  
PHARMACY BENEFIT MANAGEMENT SERVICES

Amendment No. 8

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2010

by and between

COUNTY OF LOS ANGELES  
(hereafter "County"),

and

INFORMEDRX, INC. (hereafter "IRX")

WHEREAS, reference is made to that certain document entitled "COMMUNITY HEALTH PLAN PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT", dated November 19, 2002, herein further identified as County Agreement No. H-207932 and any amendments thereto (all hereafter "Agreement"); and

WHEREAS, Agreement is slated to expire on December 31, 2010; and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW, THEREFORE, the parties agree as follows:

1. The term of this Agreement is hereby extended for the period of January 1, 2010 through December 31, 2011. At the sole discretion of the Interim Director of Health Services (Interim Director), or his designee, this Agreement may be extended on a month-to-month basis for up to a 12 month period, which would extend the Agreement to and including December 31, 2012, by execution of a written Amendment.

2. Additional Provisions Paragraph 45, NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW, shall be added to read as follows:

“45. NOTICE TO EMPLOEES REGARDING THE SAFELY SURRENDERED BABY LAW: The Contractor shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit I of this Agreement and is also available on the Internet at [www.babysafela.org](http://www.babysafela.org) for printing purposes.

3. Additional Provisions Paragraph 46, NON-APPROPRIATION OF FUNDS CONDITION: shall be added to read as follows:

“46. NON-APPROPRIATION OF FUNDS: Notwithstanding any other provision of this Agreement, County shall not be obligated by any provision of this Agreement during any of County's future July 1 through June 30 fiscal years unless funds to cover County's costs hereunder for that fiscal year are appropriated by County's Board of Supervisors. In the event that funds are not appropriated for this Agreement for a future fiscal year, then this Agreement shall be deemed to have terminated on June 30th of the prior fiscal year. Director shall notify Contractor in writing of such non-appropriation of funds at the earliest possible date.

4. Except for the changes set forth hereinabove, Agreement shall not be changed in any other respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by its Director of Health Services, and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
John F. Schunhoff, Ph.D.  
Interim Director

\_\_\_\_\_  
INFORMEDRX, INC.  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

(AFFIX CORPORATE SEAL)

APPROVED AS TO FORM  
ANDREA ORDIN  
COUNTY COUNSEL

By \_\_\_\_\_  
Deputy County Counsel